

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
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SS-15 STR-07 TRSE-00 ACDA-12 PA-01 /126 W
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R 241325Z AUG 78
FM AMEMBASSY RABAT
TO SECSTATE WASHDC 6541
USDOE WASHDC
INFO AMEMBASSY ALGIERS
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMCONSUL CASABLANCA POUCH

C O N F I D E N T I A L SECTION 1 OF 2 RABAT 5182

C O R R E C T E D C O P Y (PARA FIVE)

DEPARTMENT PLEASE PASS BUMINES FOR STOWASSER

USDOE FOR SIEVERING AND LARAMIE ENERGY TECHNOLOGY CENTER(DECORA)

E. O. 11652: GDS
TAGS: ENRG, EMIN, TECH, MO
SUBJ: MORE ON OCCIDENTIAL PETROLEUM'S AGREEMENT WITH THE GOM

REF: A. RABAT 4963; B. LONDON 13154

1. BEGIN UNCLASSIFIED. FOLLOWING AUGUST 14 MEETING BETWEEN OXY
CHAIRMAN DR. ARMAND HAMMER AND KING HASSAN (REF A) ALL ELEMENTS
OF MOROCCAN PRESS BEGAN PARADE OF FRONT PAGE REPORTS ON COMPANY'S
PROPOSED UNDERTAKINGS IN MOROCCAN PETROLEUM PROSPECTION, OIL
SHALE DEVELOPMENT AND PHOSPHORIC ACID MANUFACTURE. FIRST BREAK
WITH RELATIVELY UNINFORMATIVE REPORTING, BASED EXCLUSIVELY ON
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SINGLE GOM PRESS RELEASE AND QUOTATIONS FROM UK PRESS (REF B), WAS
RECENT MAP INTERVIEW WITH ENERGY AND MINES MINISTER MOUSSA SAADI,
REPORTED IN AUGUST 30 PRO-GOVERNMENT AL MAGHRIB.

2. IN EXTENSIVE Q.A. SESSION, SAADI SITUATED OXY AGREEMENT IN
THE CONTEXT OF MOROCCO'S DETERMINATION TO EXPLOIT IN EVERY
POSSIBLE WAY ITS EXTENSIVE MINERAL RESOURCES, PURSUANT

TO KING'S DIRECTIVE PROMULGATED DURING NATIONAL RESOURCES DEVELOPMENT SPEECH HE MADE IN ERFOUD IN 1974. POINTING TO FACT THAT MOROCCO PRESENTLY DEPENDED ON IMPORTS FOR 80 PERCENT OF ITS ENERGY NEEDS, HE SAID THAT THIS DEPENDENCE LIKELY TO INCREASE TO 90 PERCENT IN FIVE YEARS IF MASSIVE EFFORT NOT IMMEDIATELY UNDERTAKEN. WITH OXY'S COOPERATION, MOROCCO COULD NOW MOVE ON SEVERAL FRONTS. FIRST, IT COULD RESEARCH ITS POTENTIAL PETROLEUM DEPOSITS MUCH MORE SYSTEMATICALLY, USING LATEST EXPLORATION METHODS AND BORING TO DEPTHS OF SIX TO SEVEN THOUSAND METERS. TO DATE, EXPLORATION HAS NOT BEEN TECHNICALLY ADEQUATE OR SUFFICIENTLY COMPREHENSIVE, SAADI SAID. THIS WAS ESPECIALLY TRUE IN MORE DIFFICULT AREAS SUCH AS THE RIF, WHICH RESEMBLES -- WITH ITS INTRIGUING TEN THOUSAND METER SEDIMENTARY DEPRESSIONS -- AREAS IN NORTH AMERICA WHERE SUBSTANTIAL DEPOSITS HAVE BEEN FOUND. WITH CAREFUL EXPLORATION, DEPOSITS ALMOST CERTAINLY WILL BE FOUND, SUCH AS THE ONE RECENTLY DISCOVERED AND NOW OPENED UP NEAR ESSAOUIRA. BUT ALL OF THIS WORK COULD ONLY BE DONE WITH THE HELP OF LARGE INTERNATIONAL ENERGY COMPANIES SUCH AS OXY. COMMENT: LATEST GOM STATISTICS SHOW INCREASE OF MOROCCAN PETROLEUM PRODUCTION FOR THE FIRST TIME IN MANY YEARS, FROM 8,100 TONS IN 1976 TO 22,100 TONS IN 1977. END COMMENT.

3. SECOND, OXY CAN HELP MOROCCO TO EXPLOIT ITS CRUCIAL OIL SHALE DEPOSITS, WHICH SAADI STRESSED HAVE BEEN RECENTLY CONSIDERED WORTH DEVELOPING BY A VISITING TEAM OF USDOE OIL SHALE EXPERTS. ASSUMING LATER TESTS VALIDATED THEIR INITIAL ASSESSMENT, THESE EXPERTS
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ALSO CONCLUDED THAT THE OXY IN SITU PROCESS WOULD BE APPROPRIATE FOR APPLICATION IN MOROCCO FOR A NUMBER OF TECHNICAL REASONS AND CAPITAL COST ADVANTAGES. SAADI STRESSED THAT IN THIS CONNECTION HE HOPED TO COUNT ON FURTHER TECHNICAL COOPERATION WITH USDOE AS A RESULT OF THE FRUITFUL RELATIONSHIP ESTABLISHED WITH SECRETARY SCHLESINGER SINCE TIME OF LATTER'S VISIT TO MOROCCO LAST JANUARY.

4. THIRD, SAADI SAID THAT OXY'S NEW "HEMIHYDRATE PROCESS" FOR MANUFACTURING PHOSPHORIC ACID WOULD HELP MOROCCO TO FURTHER CAPITALIZE ON ITS BASIC PHOSPHATE RESOURCE. USE OF THE NEW PROCESS IN MOROCCO WOULD REQUIRE 25 PERCENT LESS INVESTMENTS IN PLANT AND EQUIPMENT, LOWER PRODUCTION COSTS OF ACID, AND PRODUCE A "CLEANER" ACID. MOREOVER, OXY WOULD ASSIST IN MARKETING THE PRODUCT IN THE U.S., THEREBY ENHANCING MOROCCO'S EXPORT POTENTIAL.

5. NOTING THAT PHOSPHATES ARE TO AGRICULTURE WHAT PETROLEUM IS TO INDUSTRY, SAADI POINTED TO MOROCCO'S LARGE RESOURCES IN BOTH SECTORS: OIL SHALE DEPOSITS ESTIMATED AT 43 PERCENT OF THE U.S. GREEN RIVER DEPOSIT, THE LATTER THOUGHT CAPABLE OF CARRYING ALL U.S. PETROLEUM NEEDS FOR A CENTURY -- AND 70 PERCENT OF

WORLD PHOSPHATE RESERVES LOCATED NORTH OF AGADIR. WITH MESKALA AGREEMENT BRINGING SOVIET RESOURCES TO BEAR ON BASIC PHOSPHATE ASSET AND OXY AGREEMENT COVERING PETROLEUM AND PHOSPHORIC ACID PRODUCTION, SAADI CONCLUDED THAT GOM WAS PROVING ITS DETERMINATION TO WIN BATTLE OF DEVELOPMENT AND ENERGY INDEPENDENCE BY TAKING MAJOR STEPS IN THE THREE CRUCIAL SECTORS OF MOROCCO'S ECONOMY. END UNCLASSIFIED.

6. BEGIN CONFIDENTIAL. COMMENT: REFLECTING SAADI'S WELL KNOWN VIEWS ON OIL SHALE AND GOM'S INDUSTRIAL PRIORITIES MORE GENERALLY, INTERVIEW IS THIN ON HOW OXY IS TO BE SPECIFICALLY INVOLVED. EMBASSY'S MID-LEVEL CONTACTS IN ENERGY MINISTRY, BRPM AND OCP HAD ESSENTIALLY NOTHING TO ADD, WITH MOST SAYING THEY WERE COMPLETELY UNAWARE OF HAMMER'S VISIT UNTIL EVENT ACTUALLY BROKE. CONFIDENTIAL

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7. AS WE SEE IT, MOST INTRIGUING ELEMENT IN OXY TRIAD IS REPORTED UNDERTAKING TO BRING NEW PHOSPHORIC ACID PRODUCTION TECHNOLOGY TO MOROCCO. NOBODY SEEMS TO KNOW WHETHER THIS

MEANS A LICENSING DEAL, (BUT IF SO, FOR WHAT UNITS? MAROC PHOSPHORE III AND/OR IV, CURRENTLY SCHEDULED TO BE READY FOR PRODUCING IN 1985-86 AT JORF LASFAR?) OR A COMPLETELY NEW PROJECT OUTSIDE OF THE SAFI OR JORF LASFAR COMPLEXES, BUT THEN ALMOST CERTAINLY AS A JOINT VENTURE WITH OCP. IF LATTER, THIS WOULD REPRESENT A MAJOR CHANGE IN OCP POLICY, WHICH SINCE EARLY SIXTIES HAS STEADFASTLY REFUSED ANY FORM OF DIRECT FOREIGN PARTICIPATION IN MOROCCO'S PHOSPHATE INDUSTRY.

8. DR. HAMMER'S STRONG INTEREST IN PARTICIPATING IN DEVELOPMENT OF PHOSPHORIC ACID PRODUCTION IN MOROCCO (PHRASE IS DRAWN VERBATIM FROM PRESS REPORTS) LEADS US -- AND SOME OF OUR CONTACTS IN GOM AND PARIS-BASED ISMA -- TO BELIEVE THAT THIS INITIATIVE MUST BE CLOSELY RELATED TO OXY'S AGREEMENT WITH THE USSR. THINKING IS THAT OXY MAY BE EXPERIENCING VARIETY OF DIFFICULTIES IN MAINTAINING CONFIDENTIAL

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SUPPLY OF CONTRACTED QUANTITIES OF ACID AND THAT HAMMER MAY BE UNDER CONSIDERABLE PRESSURE TO SEEK ALTERNATIVE RAW MATERIAL SOURCING. BUT SOVIET CONTRACTS CALL FOR SUPERACID, WHICH THUS NECESSITATES BUILDING SPECIALIZED PLANTS AS WELL. WHETHER SOVIETS HAVE ROLE TO PLAY IN OXY'S PROPOSED ACID DEAL IS ALSO EXTEREMLY INTERESTING QUESTION.

9. REPORTED ABSENCE OF BRPM, AND MORE IMPORTANT, OF OCP IN ALL OF HAMMER'S RECENT DOINGS (DIR. GEN. LAMRANI WAS NOT INVITED TO ROYAL MEETING, WE WERE TOLD, AND LEFT FOR PARIS NEXT DAY WHEN MOUSSA SAADI CONFERRED WITH HAMMER), TOGETHER WITH STUDIED SILENCE ON ITS PART SINCE HAMMER'S VISIT, ALSO SUGGESTS GOM ACTIONS THUSFAR HAVE BEEN ON HIGH AND VERY RESTRICTED POLITICAL LEVEL. IT MAY ALSO BE THAT MOUSSA SAADI, A RISING STAR IN KING'S ENTOURAGE, IS FORCING PACE TO SET POLICY DIRECTIONS FOR OCP AT EXPENSE OF LATTER'S LONG HISTORY OF ABSOLUTE AND JEALOUSLY GUARDED INDEPENDENCE.

10. HAMMER, OF COURSE, IS NO STRANGER TO MOROCCO, HAVING BEEN DRIVING FORCE BEHIND ORIGINAL MESKALA DEVELOPMENT PROJECT BACK IN EARLY SIXTIES, AND AN OCCASIONAL VISITOR SINCE THEN. COLLAPSE OF THAT PROJECT, AND FACT THAT ALI BENJELLOUN, CURRENT MOROCCAN AMBASSADOR TO U.S. BUT AT THE TIME OCP DIR. GEN., LOST HIS JOB AS A RESULT OF KING'S DISPLEASURE WITH OXY AGREEMENT AND HAMMER PERSONALLY, MAY HAVE SOMETHING TO DO WITH EXPLAINING MANNER IN WHICH CURRENT DISCUSSIONS ARE BEING CONDUCTED. IN ANY CASE, ARRIVAL IN MOROCCO OF OXY TEAMS TO WORK OUT SPECIFIC AGREEMENTS IN EACH OF THE THREE SECTORS, (REPORTED REF A AND CONFIRMED IN PRESS COVERAGE) SHOULD BEGIN TO SHED MORE LIGHT ON THIS NEW AND POSSIBLY MORE OF A U.S. MAJOR ON THE MOROCCAN SCENE. END COMMENT.
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